

MONROE HOUSING COMMISSION
MONROE, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name <i>Marine Township Commission</i>		County
Audit Date <i>9/30/04</i>	Opinion Date <i>11/2/05</i>		Date Accountant Report Submitted to State: <i>3/17/05</i>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <i>Barry E. Gaudette, CPA, PC</i>			
Street Address <i>1107 E. 9th Street</i>		City <i>Traverse City</i>	State <i>MI</i> ZIP <i>49606</i>
Accountant Signature <i>Barry E. Gaudette CPA</i>			

MONROE HOUSING COMMISSION
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INTRODUCTION

Barry E. Gaudette, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
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Board of Commissioners
Monroe Housing Commission
Monroe, Michigan

We have audited the accompanying statement of net assets of the Monroe Housing Commission, Michigan (a component unit of the City of Monroe) as of September 30, 2004, and the related statements of revenues, expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Monroe Housing Commission, Michigan, as of September 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2005 on our consideration of the Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Monroe Housing Commission
Independent Auditor's Report
Page Two

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information the Government Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of September 30, 2004.

Bary E. Landolt, CPA, PC

January 12, 2005

MONROE HOUSING COMMISSION
MONROE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
September 30, 2004
=====

The Monroe Housing Commission, created in 1966, by the City of Monroe provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Monroe Housing Commission consists of two programs. The first is owned housing, consisting of 292 units of public housing and the second is the capital funding program.

Monroe Housing Commission had total revenues of \$2,065,659 that includes \$716,684 in rental payments and \$1,188,481 in federal assistance. Total revenues increased by \$307,754 from the prior year, in part, because of federal assistance increasing by \$265,457 and interest earnings increasing by \$42,471 from the prior year. Total operating expenses were \$1,664,666, that includes \$280,029 in administrative expenses, \$173,537 in utilities, \$352,482 in ordinary maintenance and operation, \$119,174 in general expenses, and \$654,538 in depreciation expense. The operating expenses decreased by \$55,752, in part, because of maintenance contracts decreasing from the prior year by \$33,645.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$9,185,407. The Housing Commission's total net assets increased by \$404,153 over the prior year. The increase can be attributed, in part, to the increase in Federal grants of \$265,457 and interest earnings increasing by \$42,471 over the prior year.

Total assets of the Housing Commission were \$9,427,510 and also, there was \$2,491,005 of current assets and \$162,419 in current liabilities. There was a net increase in total assets of \$401,246 from the prior year. The increase is due, in part, because of the net income of \$400,453.

The Housing Commission's overall financial condition has improved from the prior year.

MONROE HOUSING COMMISSION
MONROE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) - CONTINUED
September 30, 2004

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Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Revenues, Expenses, and Changes in Fund Net Assets - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended September 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Current assets	\$2,491,005	\$2,216,799	\$ 274,206
Property and equipment	<u>6,936,505</u>	<u>6,809,465</u>	<u>127,040</u>
Total assets	<u>\$9,427,510</u>	<u>\$9,026,264</u>	<u>\$ 401,246</u>
Current liabilities	\$ 162,419	\$ 175,300	\$(12,881)
Noncurrent liabilities	<u>79,684</u>	<u>69,710</u>	<u>9,974</u>
Total liabilities	<u>242,103</u>	<u>245,010</u>	<u>(2,907)</u>
Net assets:			
Invested in capital assets	6,936,505	5,496,079	1,440,426
Unrestricted	<u>2,248,902</u>	<u>3,285,175</u>	<u>(1,036,273)</u>
Total net assets	<u>9,185,407</u>	<u>8,781,254</u>	<u>404,153</u>
Total liabilities and net assets	<u>\$9,427,510</u>	<u>\$9,026,264</u>	<u>\$ 401,246</u>

MONROE HOUSING COMMISSION
MONROE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) - CONTINUED
September 30, 2004

Financial Analysis of the Housing Commission (continued)

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Housing Commission for the years ended September 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 716,684	\$ 719,880	\$(3,196)
Nondwelling rent	<u>38,152</u>	<u>34,461</u>	<u>3,691</u>
Total operating revenues	<u>754,836</u>	<u>754,341</u>	<u>495</u>
Operating expenses:			
Administration	280,029	283,955	(3,926)
Tenant services	34,350	33,514	836
Utilities	173,537	167,827	5,710
Ordinary maintenance and operation	352,482	377,756	(25,274)
Protective services	40,531	39,321	1,210
General expenses	119,174	110,478	8,696
Non routine expenses	10,025	20,336	(10,311)
Depreciation	<u>654,538</u>	<u>687,231</u>	<u>(32,693)</u>
Total operating expenses	<u>1,664,666</u>	<u>1,720,418</u>	<u>(55,752)</u>
Non-operating revenue (expenses):			
Loss on sale of assets	(67)		(67)
Interest income	97,495	55,024	42,471
Operating grants	410,949	542,932	(131,983)
Capital grants	777,532	380,092	397,440
Other income	<u>24,374</u>	<u>24,976</u>	<u>(602)</u>
Total nonoperating revenue (expenses)	<u>1,310,283</u>	<u>1,003,024</u>	<u>307,259</u>
Prior period adjustments	<u>3,700</u>	<u>(303,200)</u>	<u>306,900</u>
Change in Net Assets	<u>\$ 404,153</u>	<u>\$(266,253)</u>	<u>\$ 670,406</u>

FINANCIAL STATEMENTS

MONROE HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS
September 30, 2004
=====

ASSETS

Current Assets:

Cash	\$ 389,803
Accounts receivable-HUD	928
Accounts receivable-miscellaneous	176
Accounts receivable-tenants	17,352
Allowance for doubtful accounts	(9,909)
Accrued interest receivable	351
Investments-unrestricted	2,033,359
Prepaid expenses	49,344
Inventories	8,673
Due from other programs	<u>928</u>

Total Current Assets

2,491,005

Property, Plant, and Equipment:

Land	2,123,036
Buildings	12,379,547
Equipment	349,185
Building improvements	1,257,947
Construction in progress	<u>333,941</u>
	16,443,656
Less: accumulated depreciation	<u>(9,507,151)</u>

Net Property, Plant, and Equipment

6,936,505

Total Assets

\$ 9,427,510

See notes to financial statements

MONROE HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS (CONTINUED)
September 30, 2004
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 84,429
Tenant security deposit liability	48,879
Accrued expenses	15,733
Deferred revenues	12,450
Due to other programs	<u>928</u>
Total Current Liabilities	162,419
Noncurrent Liabilities:	
Accrued compensated absences	<u>79,684</u>
Total Liabilities	<u>242,103</u>
Net Assets:	
Invested in capital assets	6,936,505
Unrestricted net assets	<u>2,248,902</u>
Total Net Assets	<u>9,185,407</u>
Total Liabilities and Net Assets	<u>\$ 9,427,510</u>

See notes to financial statements

MONROE HOUSING COMMISSION
**COMBINED STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS**
 Year Ended September 30, 2004
 =====

OPERATING REVENUES:

Dwelling rent	\$ 716,684
Non-dwelling rent	<u>38,152</u>
Total operating revenues	<u>754,836</u>

OPERATING EXPENSES:

Administration	280,029
Tenant services	34,350
Utilities	173,537
Ordinary maintenance and operation	352,482
Protective services	40,531
General expenses	119,174
Extraordinary maintenance	10,025
Depreciation	<u>654,538</u>
Total operating expenses	<u>1,664,666</u>

Operating income(loss)	<u>(909,830)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Investment interest income	97,495
Other income	24,374
Loss on sale of fixed assets	(67)
Capital grants	777,532
Operating grants	<u>410,949</u>
Total nonoperating revenues(expenses)	<u>1,310,283</u>

Net income(loss)	400,453
Prior period adjustments	3,700
Net assets, beginning	<u>8,781,254</u>
Net assets, ending	<u>\$ 9,185,407</u>

See notes to financial statements

MONROE HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS
 Year Ended September 30, 2004
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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 747,908
Cash payments to other suppliers of goods and services	(576,378)
Cash payments to employees for services	(389,187)
Cash payments for in lieu of taxes	(51,081)
Net cash (used in) operating activities	<u>(268,738)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Adjustments	3,970
Tenant security deposits	2,590
Operating grants	410,021
Other revenue	<u>24,330</u>
Net cash provided by noncapital financing activities	<u>440,911</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Loss on sale of fixed assets	(67)
Capital grants	777,532
Payments for capital acquisitions	(781,578)
Net cash (used in) and related financing activities	<u>(4,113)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Certificates of deposits purchased	(87,557)
Receipts of interest and dividends	<u>100,123</u>
Net cash provided by investing activities	<u>12,566</u>

Net increase(decrease) in cash	180,626
Cash, beginning	<u>209,177</u>
Cash, ending	<u>\$ 389,803</u>

MONROE HOUSTING COMMISSION
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended September 30, 2004
 =====

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
 PER STATEMENT OF CASH FLOWS TO THE BALANCE
 SHEET:**

Cash	\$ 389,803
Restricted cash	<u> </u>
Cash and cash equivalents per balance sheet	<u><u>\$ 389,803</u></u>

**SCHEDULE RECONCILING OPERATING INCOME
 TO NET CASH FLOW FROM OPERATING
 ACTIVITIES:**

Operating income(loss)	\$(909,830)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	654,538
Bad debt allowance	4,423
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(6,928)
Prepaid expenses	(4,261)
Inventories	15
Increase (decrease) in liabilities:	
Accounts payable	(18,834)
Accrued wage/payroll taxes	1,951
Accrued compensated absences	4,992
Accrued payments in lieu of taxes	448
Deferred revenues	<u>4,748</u>
Net cash (used in) operating activities	<u><u>\$(268,738)</u></u>

See notes to financial statements

MONROE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Monroe Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

The Monroe Housing Commission is a component unit of the City of Monroe, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Monroe on July 6, 1966, consisting of a five member board appointed by the City Mayor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Monroe Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3039, the Housing Commission constructed, maintains and operates 292 units of subsidized housing in the City of Monroe, Michigan.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Housing Commission. For the most part, the effect of the interfund activity has been removed from these statements. The Housing Commission only has business-type activities, which rely to a significant extent on fees and charges for support.

The Housing Commission is considered a major individual Enterprise Fund.

MONROE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City of Monroe has elected to

MONROE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (continued)

apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

MONROE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$300 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Building improvements	5 - 20 years
Dwelling equipment-nonexpendable	5 - 7 years
Furniture, equipment-administration	3 - 10 years
Nondwelling structures	5 - 40 years
Land improvements	5 - 20 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-Fy 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Inventory

Inventory is priced using the average cost method.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

MONROE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave: In the event of an employee's death or voluntary quit, any unused vacation pay earned but not taken as of the date of such termination, will be paid as part of the employee's final wages on the pay period following the termination; if the employee is dismissed for cause, however, no vacation pay shall be paid.
- * Sick pay: The amount of sick pay benefits used by an employee will be equal to the number of regularly scheduled hours such employee would otherwise have worked during the absence.
- * Personal days: There is no policy for personal days.

No cash payments to officers or employees shall be made in lieu of unused vacation or sick leave; except that when an officer or employee is permanently separated from employment, cash payment of unused vacation leave (but not unused sick leave) may be made, but no such payment shall be made to any officer or employee dismissed for cause. In addition, a full time employee shall be entitled to a cash payment equal to 50% of any unused sick days at the end of a calendar year, provided the employee worked full time the preceding twelve (12) months.

The amount of accumulated benefits at September 30, 2004, was \$84,676, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

MONROE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: CASH AND INVESTMENTS

The Housing Commission maintains cash and investment accounts in the Low Rent Program.

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.

Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.

Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Housing Commission's deposits may have been higher than the September 30, 2004, balances detailed below. This means that the Housing Commission's risk and exposure could have been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

MONROE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 2: CASH AND INVESTMENTS (Continued)

<u>Depository Balances by Category</u>					
<u>Depository</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	<u>Carrying Value</u>
National City Bank	\$302,076	\$ 363,000	\$	\$ 665,076	\$ 671,236
Monroe Bank & Trust		<u>1,751,876</u>		<u>1,751,876</u>	<u>1,751,876</u>
Total Deposits	<u>\$302,076</u>	<u>\$2,114,876</u>	<u>\$</u>	<u>\$2,416,952</u>	2,423,112
Petty cash					<u>50</u>
					<u>\$2,423,162</u>
Reconciliation to Cash on Balance Sheet					
Cash					\$ 389,803
Unrestricted investments					<u>2,033,359</u>
Total					<u>\$2,423,162</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At September 30, 2004, the receivables were \$17,352 with \$9,909 estimated as uncollectible. Bad debt expense was \$7,786.

Accounts Receivables - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at September 30, 2004 were as follows:

Capital Fund Program	<u>\$ 928</u>
----------------------	---------------

MONROE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 3: RECEIVABLES AND PAYABLES (Continued)

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	<u>\$ 928</u>	Capital Fund Program	<u>\$ 928</u>

The capital fund program transferred \$18,744 to the Low Rent Program during the fiscal year ended September 30, 2004.

MONROE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004 was as follows:

	<u>Balance</u> <u>09/30/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>09/30/04</u>
Low Rent Program				
Land	\$ 2,123,036	\$	\$	\$ 2,123,036
Buildings	11,323,536	479,028		11,802,564
Furniture, equip. & machinery - dwellings	170,764		673	170,091
Furniture, equip. & machinery - administration	176,787	2,307		179,094
Building improvements	<u>1,246,257</u>			<u>1,246,257</u>
	15,040,380	<u>\$ 481,335</u>	<u>\$ 673</u>	15,521,042
Less accumulated depreciation	<u>(8,827,082)</u>	<u>\$(644,727)</u>	<u>\$(25,531)</u>	<u>(9,497,340)</u>
Total	<u>\$ 6,213,298</u>			<u>\$ 6,023,702</u>
Capital Fund Program				
Buildings	\$ 479,028	\$ 97,955	\$	\$ 576,983
Building improvements		11,690		11,690
Construction in progress	<u>145,082</u>	<u>188,859</u>		<u>333,941</u>
	624,110	<u>\$ 298,504</u>	<u>\$</u>	922,614
Less accumulated depreciation	<u>(27,943)</u>	<u>\$(9,811)</u>	<u>\$ 27,943</u>	<u>(9,811)</u>
Total	<u>\$ 596,167</u>			<u>\$ 912,803</u>

MONROE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 5: CONTRIBUTED CAPITAL

Changes in invested in capital assets (formerly contributed capital) in the enterprise fund type for the year ended September 30, 2004, consist of the following:

	<u>Invested in Capital Assets</u>
Balance, beginning	\$ 5,496,079
Investment in fixed assets, net of depreciation paid for from operations, not included in contributed capital	<u>527,623</u>
Balance, ending	<u>\$ 6,023,702</u>

NOTE 6: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes four separate programs which provide housing assistance and grant programs. Segment information for the year ended September 30, 2004, was as follows:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets	<u>Low Rent Program</u>	<u>Capital Fund Program</u>
Dwelling and nondwelling rents	\$ 754,836	\$
Depreciation	(644,727)	(9,811)
Other operating expenses	<u>(1,010,128)</u>	<u>(9,811)</u>
Operating(loss)	(900,019)	(9,811)
Nonoperating revenues (expenses):		
Investment earnings	97,495	
Other income	24,374	
Loss on sale of fixed assets	(67)	
Operating grants	392,205	18,744
Capital grants		777,532
Operating transfers	<u>18,744</u>	<u>(18,744)</u>
Change in net assets	(367,268)	767,721
Prior period adjustments	454,785	(451,085)
Beginning net assets	<u>8,185,087</u>	<u>596,167</u>
Ending net assets	<u>\$ 8,272,604</u>	<u>\$912,803</u>

MONROE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 6: SEGMENT INFORMATION (Continued)

Condensed Statement of Cash Flows

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>
Net cash provided (used) by:		
Operating activities	\$(268,738)	\$
Noncapital financing activities	440,911	
Capital and related financing activities	(4,113)	
Investing activities	12,566	
Net increase (decrease)	180,626	
Beginning cash and cash equivalents	209,177	
Ending cash and cash equivalents	<u>\$ 389,803</u>	<u>\$</u>

NOTE 7: OTHER INFORMATION

A. Pension Plan

The Housing Commission as of June 10, 2003 made an agreement with the Municipal Employees' Retirement System (MERS) under the provisions of 1996 PA 220 and the Plan Document of 1996. The Housing Commission adopted the MERS Defined Benefit Program.

The Housing Commission contributed \$308,042.95 from August 1, 2003 to September 30, 2003 to the Defined Benefit Plan. \$303,200.00 of this contribution was to partially fund future benefits. Also, the Housing Commission made a wire transfer of \$226,800 from American Century Investments to MERS for the benefit of employees on or before August 1, 2003. These monies were from a defined contribution plan that was discontinued.

The pension plan covers all eligible full-time employees and requires a minimum contribution by the employee. At December 31, 2003, the date of the last completed actuarial evaluation, the Housing Commission's actual liability for retirement benefits was \$887,782. Assets available to meet this obligation were \$684,133. The computed minimum required employer contributions to the retirement system for the fiscal years beginning October 1, 2005 (2003 Valuation) and October 1, 2004 (2002 Valuation) are as follows:

14.03% of payroll for the 2003 Valuation and 0.0% of payroll for the 2002 Valuation.

MONROE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 7: OTHER INFORMATION (Continued)

A. Pension Plan (continued)

The minimum required monthly employer contribution is \$2,895 for the 2003 Valuation and \$0 for 2002.

The Housing Commission contributed \$397,887 and employees \$226,800 during the calendar year ended December 31, 2003. There six (6) active members of which none are vested and there are no retirees.

B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Implementation of New Accounting Standard

As of and for the year ended September 30, 2004, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

MONROE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 7: OTHER INFORMATION (Continued)

E. Prior Period Adjustments, Equity Transfers and
Correction of Errors

Low Rent Program

Correction prior years benefits	\$ 3,700
Equity transfer of CFP equity	<u>451,085</u>
	<u>\$ 454,785</u>

Public Housing Capital Fund Program

Equity transfer of CFP equity	<u>\$(451,085)</u>
-------------------------------	--------------------

F. Postemployment benefits other than pension benefits

The Housing Commission provides health insurance for employees and their spouses who retire after 25 or more years of continuous full-time service. The insurance benefit plan is a Blue Cross-Blue Shield MVF-1 (Master Medical) Family Coverage and provides a co-pay Prescription Drug Program or its substantial equivalent for all eligible retirees. The retiree does not have to contribute to the plan. There are no retirees at this time. The amount of benefit will be financed on a pay-as-you-go basis.

SUPPLEMENTARY INFORMATION

MONROE HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
 September 30, 2004
 =====

C-3039	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

ASSETS

Current assets:

Cash	\$ 389,803	\$ 928
Accounts receivable-HUD	176	
Accounts receivable-miscellaneous	17,352	
Accounts receivable-tenant	(9,909)	
Allowance for doubtful accounts	351	
Accrued interest receivable	2,033,359	
Investments-unrestricted	49,344	
Prepaid expenses	8,673	
Inventories	<u>928</u>	
Due from other programs		
Total current assets	<u>2,490,077</u>	<u>928</u>

Property, plant, and equipment:

Land	2,123,036	
Buildings	11,802,564	576,983
Equipment	349,185	
Building improvements	1,246,257	11,690
Construction in progress	<u>15,521,042</u>	<u>333,941</u>
Less accumulated depreciation	(9,497,340)	(922,614)
		<u>(9,811)</u>

Net property, plant and equipment

Total Assets

<u>6,023,702</u>	<u>912,803</u>
<u>\$ 8,513,779</u>	<u>\$ 913,731</u>

Totals

\$ 389,803
928
176
17,352
(9,909)
351
2,033,359
49,344
8,673
928

2,491,005

2,123,036
12,379,547
349,185
1,257,947
333,941
16,443,656
(9,507,151)

6,936,505

\$ 9,427,510

MONROE HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
 September 30, 2004
 =====

	C-3039 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 84,429	\$
Tenant security deposit liability	48,879	
Accrued expenses	15,733	
Deferred revenues	12,450	
Due to other programs		<u>928</u>
Total current liabilities	<u>161,491</u>	<u>928</u>
Noncurrent liabilities:		
Accrued compensated absences	<u>79,684</u>	
Total noncurrent liabilities	<u>79,684</u>	
Total liabilities	<u>241,175</u>	<u>928</u>
Net Assets:		
Invested in capital assets	6,023,702	912,803
Unrestricted net assets	<u>2,248,902</u>	
Total net assets	<u>8,272,604</u>	<u>912,803</u>
Total Liabilities and Net Assets	<u>\$8,513,779</u>	<u>\$ 913,731</u>

Totals

\$ 84,429
48,879
15,733
12,450
928

162,419

79,684

79,684

242,103

6,936,505
2,248,902

9,185,407

\$ 9,427,510

MONROE HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS**
 Year Ended September 30, 2004
 =====

	C-3039 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 716,684	\$
Nondwelling rent	<u>38,152</u>	
Total operating revenues	<u>754,836</u>	
OPERATING EXPENSES:		
Administration	280,029	
Tenant services	34,350	
Utilities	173,537	
Ordinary maintenance and operation	352,482	
Protective services	40,531	
General expenses	119,174	
Extraordinary maintenance	10,025	
Depreciation	<u>644,727</u>	<u>9,811</u>
Total operating expenses	<u>1,654,855</u>	<u>9,811</u>
Operating income(loss)	(900,019)	(9,811)
NONOPERATING REVENUES AND (EXPENSES):		
Operating transfers in (out)	18,744	(18,744)
Investment interest income	97,495	
Other income	24,374	
Loss on sale of fixed assets	(67)	
Capital grants		777,532
Operating grants	<u>392,205</u>	<u>18,744</u>
Total nonoperating revenues (expenses)	<u>532,751</u>	<u>777,532</u>
Net income(loss)	(367,268)	767,721
Prior period adjustments, equity transfers and correction of errors	454,785	(451,085)
Net assets, beginning	<u>8,185,087</u>	<u>596,167</u>
Net assets, ending	<u>\$8,272,604</u>	<u>\$912,803</u>

Totals

\$ 716,684
38,152

754,836

280,029

34,350

173,537

352,482

40,531

119,174

10,025

654,538

1,664,666

(909,830)

97,495

24,374

(67)

777,532

410,949

1,310,283

400,453

3,700

8,781,254

\$ 9,185,407

MONROE HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
 Year Ended September 30, 2004
 =====

	C-3039 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 747,908	\$
Cash payments to other suppliers of goods and services	(576,378)	
Cash payments to employees for services	(389,187)	
Cash payments for in lieu of taxes	<u>(51,081)</u>	
Net cash (used in) operating activities	<u>(268,738)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Adjustments	3,970	
Tenant security deposits	2,590	
Due from/to other funds	(928)	928
Operating transfers in (out)	18,744	(18,744)
Operating grants	392,205	17,816
Other revenue	<u>24,330</u>	
Net cash provided by noncapital financing activities	<u>440,911</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Loss on sale of fixed assets	(67)	
Capital grants		777,532
Payments for capital acquisitions	<u>(4,046)</u>	<u>(777,532)</u>
Net cash (used in) capital and related financing activities	<u>(4,113)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certificates of deposits purchased	(87,557)	
Receipts of interest and dividends	<u>100,123</u>	
Net cash provided by investing activities	<u>12,566</u>	
Net increase(decrease) in cash	180,626	
Cash, beginning	<u>209,177</u>	
Cash, ending	<u>\$ 389,803</u>	<u>\$</u>

Totals

\$ 747,908

(576,378)

(389,187)

(51,081)

(268,738)

3,970

2,590

410,021

24,330

440,911

(67)

777,532

(781,578)

(4,113)

(87,557)

100,123

12,566

180,626

209,177

\$ 389,803

MONROE HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended September 30, 2004
 =====

C-3039	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH
 EQUIVALENTS PER STATEMENT OF CASH
 FLOWS TO THE BALANCE SHEET:**

Cash	\$ 389,803	\$
Restricted cash		
	<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 389,803</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME
 TO NET CASH FLOW FROM OPERATING
 ACTIVITIES:**

Operating income(loss)	\$ (900,019)	\$ (9,811)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	644,727	9,811
Bad debt allowance	4,423	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(6,928)	
Prepaid expenses	(4,261)	
Inventories	15	
Increase (decrease) in liabilities:		
Accounts payable	(18,834)	
Accrued wage/payroll taxes	1,951	
Accrued compensated absences	4,992	
Accrued payments in lieu of taxes	448	
Deferred revenues	<u>4,748</u>	
Net cash (used in) operating activities	<u>\$ (268,738)</u>	<u>\$</u>

Totals

\$ 389,803

\$ 389,803

\$ (909,830)

654,538
4,423

(6,928)
(4,261)
15

(18,834)
1,951
4,992

448
4,748

\$ (268,738)

MONROE HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
 Year Ended September 30, 2004
 =====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major - Direct Program</u>		
2004	Low Rent Public Housing	14.850	\$ 392,205
	<u>Public and Indian Housing Major - Direct Program</u>		
2004	Capital Fund Program	14.872	<u>796,276</u>
	Total		<u>\$1,188,481</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

MONROE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE
 Year Ended September 30, 2004
 =====

FDS Line Item No.		C-3039 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 389,803	\$
100	Total cash	<u>389,803</u>	
	Receivables:		
122	A/R-HUD other projects		928
125	A/R-miscellaneous	176	
126	A/R-tenants-dwelling rents	17,352	
126.1	Allowance for doubtful accounts - dwelling rents	(9,909)	
129	Accrued interest receivable	<u>351</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>7,970</u>	<u>928</u>
	Current Investments:		
131	Investments-unrestricted	<u>2,033,359</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	49,344	
143	Inventories	8,673	
144	Interprogram due from	<u>928</u>	
	Total other current assets	<u>58,945</u>	
150	Total current assets	<u>2,490,077</u>	<u>928</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	2,123,036	
162	Buildings	11,802,564	576,983
163	Furn, equip & mach-dwellings	170,091	
164	Furn, equip & mach-admin.	179,094	
165	Building improvements	1,246,257	11,690
166	Accumulated depreciation	(9,497,340)	(9,811)
167	Construction in progress		<u>333,941</u>
160	Total fixed assets, net of accumulated depreciation	<u>6,023,702</u>	<u>912,803</u>
180	Total noncurrent assets	<u>6,023,702</u>	<u>912,803</u>
190	Total Assets	<u>\$ 8,513,779</u>	<u>\$913,731</u>

Totals

\$ 389,803

389,803

928
176
17,352

(9,909)
351

8,898

2,033,359

49,344
8,673
928

58,945

2,491,005

2,123,036
12,379,547
170,091
179,094
1,257,947
(9,507,151)
333,941

6,936,505

6,936,505

\$ 9,427,510

MONROE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended September 30, 2004
 =====

FDS Line Item No.		C-3039 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable <=90days	\$ 32,900	\$
321	Accrued wage/payroll taxes payable	10,741	
322	Accrued compensated absences	4,992	
333	Accounts payable-other government	51,529	
341	Tenant security deposits	48,879	
342	Deferred revenues	12,450	
347	Interprogram due to		<u>928</u>
310	Total current liabilities	<u>161,491</u>	<u>928</u>
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>79,684</u>	
350	Total noncurrent liabilities	<u>79,684</u>	
300	Total liabilities	<u>241,175</u>	<u>928</u>
	Net Assets:		
508.1	Invested in capital assets	<u>6,023,702</u>	<u>912,803</u>
508	Total invested in capital assets	6,023,702	912,803
512.1	Unrestricted net assets	<u>2,248,902</u>	
513	Total Net Assets	<u>8,272,604</u>	<u>912,803</u>
600	Total Liabilities and Net Assets	<u>\$ 8,513,779</u>	<u>\$913,731</u>

Totals

\$ 32,900

10,741

4,992

51,529

48,879

12,450

928

162,419

79,684

79,684

242,103

6,936,505

6,936,505

2,248,902

9,185,407

\$ 9,427,510

MONROE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended September 30, 2004
 =====

FDS Line Item No.		C-3039 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 716,684	\$
704	Tenant revenue-other	<u>38,152</u>	
705	Total tenant revenue	754,836	
706	HUD PHA grants	392,205	18,744
706.1	Capital grants		777,532
711	Investment income-unrestricted	97,495	
715	Other revenue	24,374	
716	Loss on sale of fixed assets	(67)	
700	Total revenue	<u>1,268,843</u>	<u>796,276</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	136,565	
912	Auditing fees	1,525	
914	Compensated absences	4,992	
915	Employee benefit contributions-adm.	78,035	
916	Other operating-administrative	58,912	
	Tenant Services:		
921	Tenant services-salaries	27,501	
923	Employee benefit contributions	5,954	
924	Tenant services-other	895	
	Utilities:		
931	Water	61,066	
932	Electricity	63,066	
933	Gas	49,405	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	89,025	
942	Ordinary maint & oper-mat'ls & other	38,639	
943	Ordinary maint & oper-contract costs	170,760	
945	Employee benefit contributions	54,058	
951	Protective services-labor	32,981	
953	Protective services-other	200	
955	Employee benefit contributions	7,350	
	General expenses:		
961	Insurance premiums	59,859	
963	Payments in lieu of taxes	51,529	
964	Bad debt - tenant rents	<u>7,786</u>	
969	Total operating expenses	<u>1,000,103</u>	

Totals

\$ 716,684
38,152
754,836
410,949
777,532
97,495
24,374
(67)

2,065,119

136,565
1,525
4,992
78,035
58,912

27,501
5,954
895

61,066
63,066
49,405

89,025
38,639
170,760
54,058
32,981
200
7,350

59,859
51,529
7,786

1,000,103

MONROE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended September 30, 2004
 =====

FDS Line Item No.		C-3039 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
970	Excess operating revenue over operating expenses	<u>268,740</u>	<u>796,276</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	10,025	
974	Depreciation expense	<u>644,727</u>	<u>9,811</u>
	Total other expenses	<u>654,752</u>	<u>9,811</u>
900	Total expenses	<u>1,654,855</u>	<u>9,811</u>
	Excess (deficiency) of operating revenue over (under) expenses before other financing sources (uses)	(386,012)	786,465
	Other Financing Sources (Uses):		
1001	Operating transfers in (out)	<u>18,744</u>	<u>(18,744)</u>
1000	Excess (deficiency) of operating revenue over (under) expenses	(367,268)	767,721
1103	Beginning Net Assets	8,185,087	596,167
1104	Prior period adjustments, equity transfers and correction of errors	<u>454,785</u>	<u>(451,085)</u>
	Ending Net Assets	<u>\$ 8,272,604</u>	<u>\$912,803</u>

Totals

1,065,016

10,025

654,538

664,563

1,664,666

400,453

400,453

8,781,254

3,700

\$ 9,185,407

Barry E. Gaudette, CPA, P.C.

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**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Monroe Housing Commission
Monroe, Michigan

We have audited the financial statements of the Monroe Housing Commission, Michigan, (Housing Commission) as of and for the year ended September 30, 2004, and have issued our report thereon dated January 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk

Report on Compliance and on Internal Control
In Accordance with Government Auditing Standard
Monroe Housing Commission
Page Two

Internal Control Over Financial Reporting - Continued

that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated January 12, 2005.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sary E. Audette, CPA, PC

January 12, 2005

Barry E. Gaudette, CPA, P.C.

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**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Monroe Housing Commission
Monroe, Michigan

Compliance

We have audited the compliance of the Monroe Housing Commission, Michigan (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2004. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on the Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance and Internal Control
Over Compliance in Accordance With
OMB Circular A-133
Monroe Housing Commission
Page Two

Compliance (continued)

In our opinion, Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated January 12, 2005.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Vandette, CPA, PC

January 12, 2005

MONROE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2004
=====

A. Summary of Audit Results

Financial Statements

1. Type of Auditor's Report issued: Unqualified
2. Internal control over financial reporting:
 - a. Material weakness identified No
 - b. Reportable condition identified that is not a material weakness No
3. Noncompliance material to financial statements: No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness identified No
 - b. Reportable condition that is not a material weakness No
2. Type of auditor's report issued on compliance for major programs Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 No
4. Identification of major programs:

<u>CFDA</u> <u>Number</u>	<u>Federal Program</u>	<u>Amount</u> <u>Expended</u>	<u>Major</u> <u>Program</u>	<u>Compliance</u> <u>Requirement</u>	<u>Questioned</u> <u>Costs</u>	<u>Audit</u> <u>Finding</u>
14.850	Low Rent Public Housing	\$ 392,205	Yes	O	N/A	N/A
14.872	Capital Fund Program	<u>796,276</u>	Yes	O	N/A	N/A
Total		<u>\$1,188,481</u>				

5. Dollar threshold used to distinguish between type A and type B programs \$300,000
6. Auditee qualified as low-risk auditee? Yes

MONROE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
September 30, 2004
=====

B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

MONROE HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
September 30, 2004
=====

NONE

MONROE HOUSING COMMISSION
INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

SEPTEMBER 30, 2004

MONROE HOUSING COMMISSION
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SEPTEMBER 30, 2004

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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Monroe Housing Commission

We have audited the financial statements of the Monroe Housing Commission ("Housing Commission") as of and for the year ended September 30, 2004, and have issued our report, thereon, dated January 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing our audit of the financial statements, we considered your internal control in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in our judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 6 showing the audit adjusting journal entries).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To our knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to our retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, we would welcome the opportunity to discuss them with you.

Sandy E. Landolt, CPA, PC

January 12, 2005

Barry E. Gaudette, CPA, P.C.

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**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Monroe Housing Commission

We have audited the financial statements of the Monroe Housing Commission ("Housing Commission") as of and for the year ended September 30, 2004, and have issued our report, thereon, dated January 12, 2005. We have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to our attention during the audit, are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Housing Commission's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

January 12, 2005

MONROE HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
September 30, 2004
=====

Certificate of Deposits

The Housing Commission has several Certificate of Deposits and has a policy of having the bank type on the CD that two signatures are required to cash in the CD.

We recommend that the Housing Commission Board examine these CD's themselves after the bank has typed the statement on the CD and have at least one Commissioner initial the CD or state in the minutes that the certificate of deposit has been reviewed.

As of the March 8, 2005 board meeting this recommendation has been implemented.

Tenant Deposits

The deposit ticket is reviewed by someone other than the employee that makes the deposit, but had not been initialed that it was reviewed.

We recommend that the Housing Commission have the employee that does not make the deposit review the deposit ticket and then after the deposit ticket receipt is brought back, this employee should review that the deposit is the correct amount and also initial the deposit ticket receipt.

Management has implemented this recommendation.

Laundromat Collections

Currently only one employee collects the laundromat monies at a time.

We recommend that another employee accompany the employee that usually collects the monies.

As of the March 8, 2005 board meeting, the executive director is accompanying the individual that usually collects the monies.

Acceptance of Cash

Currently the Housing Commission accepts cash, checks and money orders.

We recommend the Housing Commission consider adopting a "no cash accepted" policy. The Housing Commission will begin encouraging tenants to not pay with cash.

MONROE HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
September 30, 2004
=====

Credit Card Policy

The Housing Commission has credit at various vendors, but no policy.

We recommend that the Housing Commission adopt a credit card policy.

At the March 8, 2005 board meeting, the Housing Commission adopted a credit card policy.

Invoices

The Housing Commission invoices are not currently marked after approved for payment.

We recommend that the Executive Director stamp the invoices with a "approve or deny" stamp before the Board Commissioner signs the checks. Also, before the check is mailed to the payee, the invoice should be marked with a "paid and date paid" stamp. These markings will prevent an invoice from being paid twice and provide another control on approval.

As of the audit date, the executive director has begun this procedure.

Health Insurance

The Housing Commission has a policy of paying health insurance for retirees.

Governmental employers may, but are not required to, apply GASBS No. 27, Accounting for Pensions by State and Local Governmental Employers, to postemployment health care benefits. We recommend the Housing Commission consider obtaining an actuarial report every several years so the actuarially accrued liability and unfunded actuarially accrued liability for benefits is known and can be disclosed.

Soon after the audit date, the Housing Commission approved hiring Gabriel, Roeder & Smith to prepare an actuarial report.

MONROE HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
September 30, 2004

=====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
------------------	---------------------	--------------	---------------

There were no audit adjusting journal entries.